



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 13 July 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

	Today	Week ending 15 <sup>th</sup> July 2016
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-8,304	7,516
Estimated Excess Reserves before OMO	-3,046	12,268
Estimated Excess Reserves after OMO	0.00	0.00
Required Reserves	53,556	53,556

#### Known Projected Transactions

	Week ending 15 July 2016	Week ending 22 July 2016	Week ending 29 July 2016	July 2016	August 2016
Maturity of normal TBs/TNs/PNs	29,356	3,821	3,505	54,990	42,739
Maturity of OMO	10,635	6,973	17,060	58,420	10,971

#### Commentary:

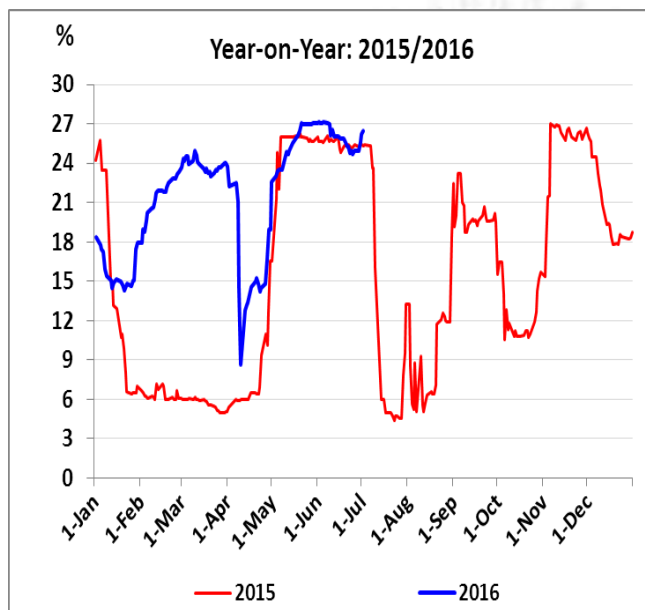
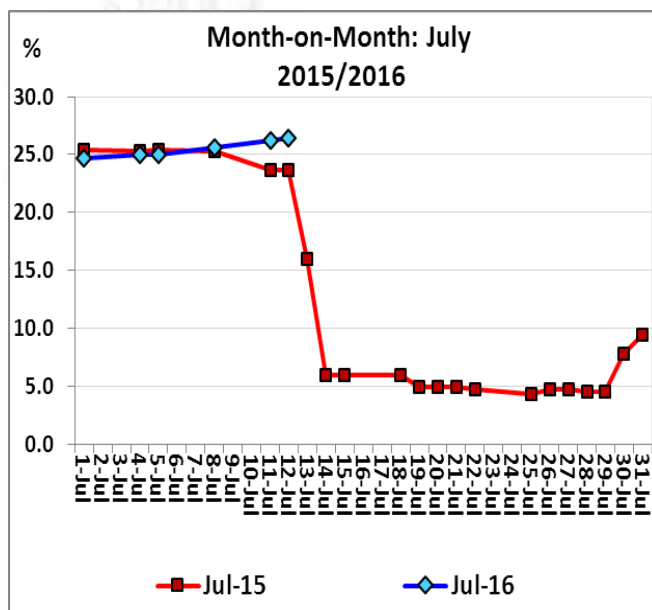
- Excess reserves increased to K5.26 billion yesterday from K4.39 billion recorded on Monday, 11<sup>th</sup> July 2016.

### B. INTER-BANK MARKET DEVELOPMENTS

#### i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume	Average rate (%)
O/N	3,401	26.46
07 days	-	-
14 days	-	-
30 days	-	-
<b>(b) RBM Open market operations</b>		
(i) Repos		
07 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
273 days	-	-
364 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(iii) Deposits on Overnight Deposit Facility	-	-
<b>(c) Access on the Lombard Facility</b>	10,940	29.00

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market decreased to K3.40 billion on Tuesday, 12<sup>th</sup> July 2016, from K6.40 billion recorded on Monday, 11<sup>th</sup> July 2016
- The overnight interbank market rate (IBR) closed yesterday at 26.46 percent from 26.24 percent recorded during the preceding day
- A total of K10.94 billion was accessed on the Lombard Facility yesterday

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

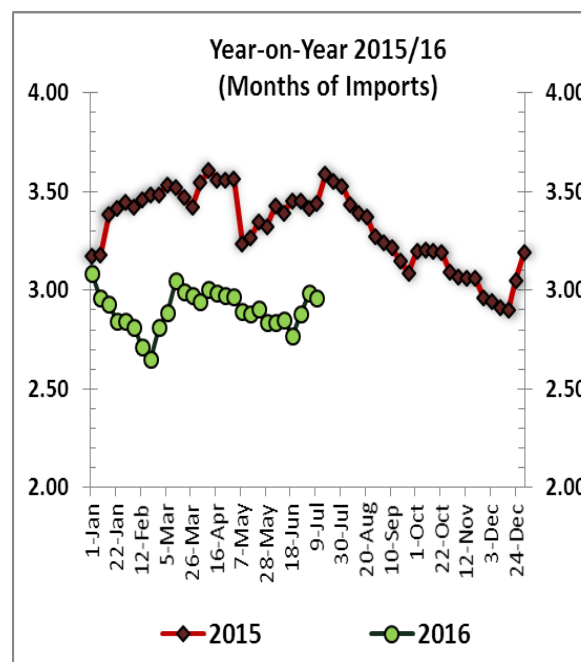
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
17 <sup>th</sup> June 2016	595.85	2.85
24 <sup>th</sup> June 2016	578.22	2.77
01 <sup>st</sup> July 2016	602.44	2.88
08 <sup>th</sup> July 2016	623.58	2.98
11 <sup>th</sup> July 2016	619.47	2.96

\* US\$209.0 million per month is used in this calculation

### Commentary:

- Gross official reserves increased during the week ending 08<sup>th</sup> July 2016 compared to the previous week. As at 11<sup>th</sup> July 2016, the gross official reserves stood at US\$619.47 million (2.96 months of imports).



## ii. Private Sector Foreign Exchange Reserves

(Foreign reserves under the direct control of authorized dealer banks (ADB) which consists of ADBs own forex positions and foreign currency denominated accounts balances of their clients)

Date (US\$ mn)	ADB's Own Position	FCDA	Total	Import Cover * (Months)
01 <sup>st</sup> July 2016	10.84	348.22	359.06	1.72
08 <sup>th</sup> July 2016	-4.18	343.50	339.32	1.62
11 <sup>th</sup> July 2016	-1.74	351.20	349.46	1.67

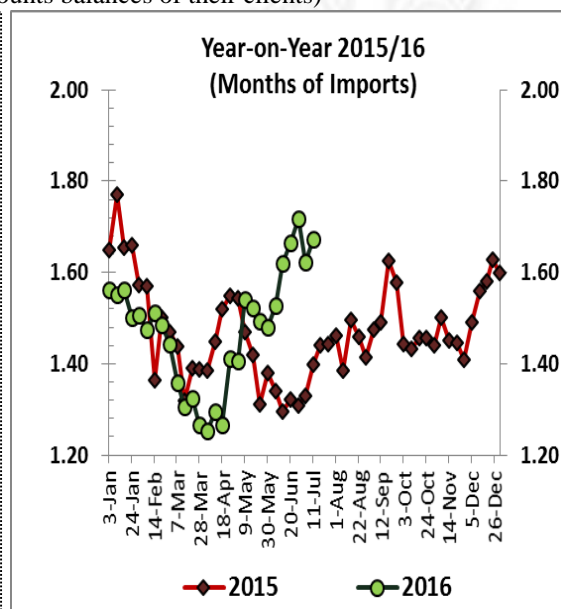
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
01 <sup>st</sup> July 2016	53.30	44.01
08 <sup>th</sup> July 2016	26.74	34.32
On 12 <sup>th</sup> July 2016	16.46	14.95

### Commentary:

- ADB's purchased US\$26.74 million from the market and monetary authorities during the week ending 08<sup>th</sup> July 2016 against sales to the market at US\$34.32 million. On 12<sup>th</sup> July 2016, ADB's purchased US\$16.46 million from the market and sold US\$14.95 million.

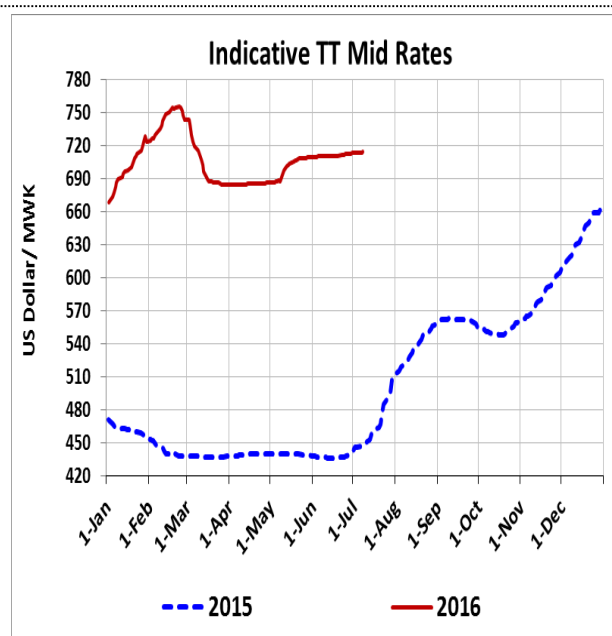
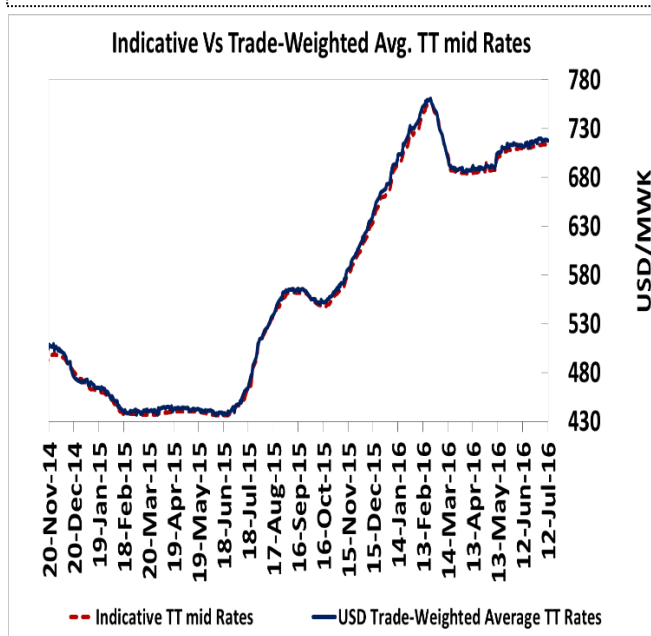


## iii. Exchange Rate Developments

	30 June 2016	01 July 2016	04 July 2016	05 July 2016	08 July 2016	11 July 2016	12 July 2016
MWK/USD	719.1778	719.4886	719.4476	716.7806	718.4361	718.5034	717.7437
MWK/GBP	963.8862	959.5157	951.3738	951.2175	927.5668	939.0418	941.4414
MWK/EUR	794.5799	794.5293	799.5802	800.0310	795.1640	793.3041	799.6656
MWK/ZAR	48.3747	48.6150	49.3961	49.1660	48.6176	47.6952	50.2694

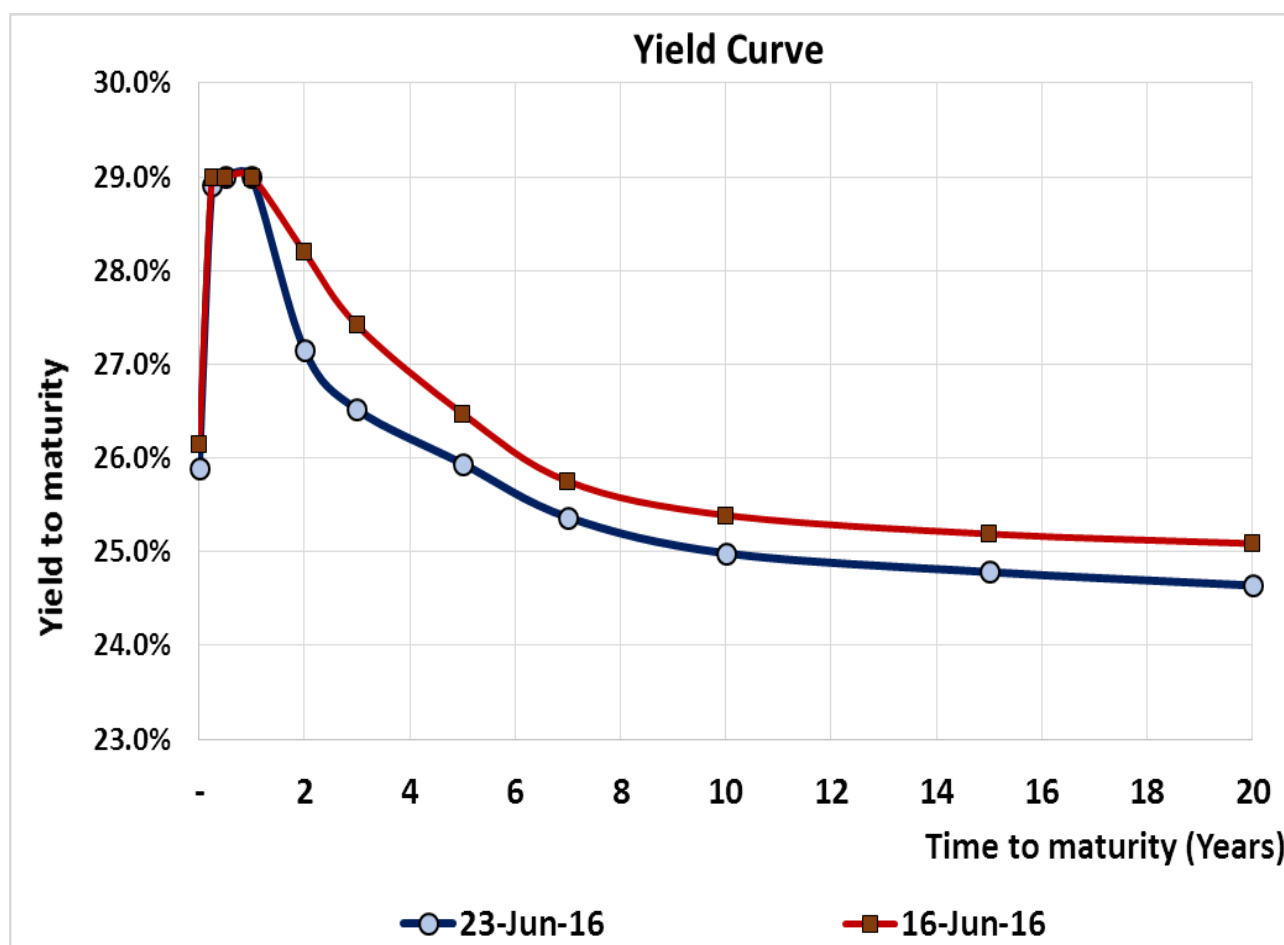
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** Yesterday on 12<sup>th</sup> July 2016, the Kwacha appreciated against the USD and depreciated against the GBP, the EUR and the ZAR.



#### D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	Overnight	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year
07 <sup>th</sup> April 2016	23.72%	27.95%	28.48%	28.50%	26.64%	26.98%	27.62%	27.33%	28.16%	28.54%	28.84%
14 <sup>th</sup> April 2016	8.67%	28.00%	28.59%	28.43%	27.03%	27.27%	28.09%	27.79%	28.70%	29.02%	29.28%
19 <sup>th</sup> May 2016	25.54%	28.00%	28.59%	28.43%	27.03%	27.27%	28.09%	27.79%	28.70%	29.02%	29.28%
26 <sup>th</sup> May 2016	27.01%	28.97%	29.00%	29.00%	30.82%	31.13%	34.82%	33.67%	35.23%	35.75%	37.08%
09 <sup>th</sup> June 2016	27.01%	29.00%	29.00%	29.00%	28.26%	28.04%	27.48%	26.23%	26.04%	25.84%	25.63%
16 <sup>th</sup> June 2016	26.15%	29.00%	29.00%	29.00%	28.20%	27.42%	26.48%	25.75%	25.39%	25.19%	25.09%
23 <sup>rd</sup> June 2016	25.89%	28.92%	29.00%	29.00%	27.16%	26.52%	25.94%	25.37%	24.99%	24.78%	24.64%
23 Jun–16 Jun 2016 Change in Yield (Bp)	-26	-8	0	0	-104	-90	-54	-38	-40	-41	-45



##### Commentary:

Indicative yields for long tenors have depicted an inverted curve suggesting lower medium to long term expected inflation rates.